(Rs. in crores)

	Name of the Scheme	*Provision in Annual Plan 1991-92.*
vi)	Terminal facilities for ferry services in Hooghly	0.25
vii)	Modernisation of jetties in Kerala.	0.11
viii)	Improvement of Buckingham Canal in Tamil Nadu/Andhra Pradesh.	0.20

[*English*]

New Interest Rates Structure of Financial Institutions

5222. SHRI GURUDAS KAMAT: Will the Minister of FINANCE be pleased to state:

(a) whether the Government propose to increase the lending rates of financial institutions; and

(b) if so, the new interest rates structure of financial institutions vis-a-vis the new bank rates?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) and (b). The structure of lending rates is determined by Reserve Bank of India (RBI) taking into account a number of factors like the growth rate of the economy and its sub-sectors, the rate of inflation, the pace of monetary expansion, the cost of raising resources by banks, the profitability of banks etc. Keeping in view the above factors, RBI reviews the lending rate structure from time to time. The position was reviewed in September, 1990 and as a result of this, the lending rate structure of commercial banks was rationalised and revised with effect from 22nd September, 1990. However, the lending rates for bank borrowers with credit limits of over Rs. 2 lakhs has been raised further in two stages; from 16.0% (minimum) to 17.0% (minimum) effective 13th April 1991 and further to 18.5% (minimum). From 9th May, 1991, interest rate surcharge of 25% has also been imposed on import financing. The existing lending rates structure for advances of scheduled commercial banks is given in the attached statement.

STATEMENT

I. General Structure applicable to all loans to all bank borrowers

(Short term and Long term)

	Size of limit	*Rate of interest (percent per annum)*
1)	Upto and inclusive of Rs. 7500/-	10.0
2)	Over Rs. 7500/- and upto Rs. 15000/-	11.5
3)	over Rs. 15,000/- and upto Rs. 25000/-	12.0

Size of limit	*Rate of interest (percent per annum)*
4) Over Rs. 25,000/- and upto Rs. 50000/-	15.0
5) Over Rs. 50,000/- and upto Rs. 2 lakhs	18.5
6) Over Rs. 2 lakhs	(Minimum)
II. Special Prescription	
1. DRI advances	4.0
2. Term loans to agriculture, SSI, and transport operators owning upto two vehicles. Size of limit	
(i) Over Rs. 25,000 and upto Rs. 50,000	13.0
(ii) Over Rs. 50,000	14.0
3. (i) Loans for purchase of consumer durables (ii) Loans to individuals against shares and debentures/bonds (iii) Other non-priority sector personal loans.	Bank free to determine the rate
III. Lending rate for commodities coming within the purview of Selective Credit Control (SSC).	
Loans/Advances/Cash Credit/Overdrafts against commodities subject to SCC	18.5 (Minimum)
IV. Bills Discounting	
Over Rs. 2 lakhs	17.5 (Minimum) (With the stipulation to the effective interest rate should be 1 percentage point lower than the rate chargeable on CC/Od)
V. Housing Finance Granted to intermedary agencies over Rs. 2 lakhs@	17.0

Note: The lending rate structure was set out with effect from September 22, 1990. Changes were effected in item No. as given below: This rate was prescribed at 16.0 per (minimum) with effect from September 22, 1990. It was raised to 17.0 per cent (minimum) with effect from April 13, 1991 and to 18.5 per cent (minimum) with effect from July, 4, 1991.

@ This category was introduced with effect July 4, 1991.